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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A
TAGS: EAID ECON EFIN BL
SUBJECT: IDB PREOCCUPIED BY UNCERTAINTY OF U.S. AND GOB
ACTIONS

¶1. (SBU) Summary: Inter-American Development Bank (IDB) Resident Representative, Joel Branski, told the DCM and Econoffs on January 11 that IDB staff has not met with the MAS' transition team, but that an IDB delegation plans to visit Bolivia at the end of January after the Presidential inauguration. Branski relayed concerns regarding use of previously approved IDB funds, up to one-third of which need to be reallocated to new projects, and approval of this year's estimated USD 200 million of proposed loans, which could be vetoed by the U.S. government. Branski explained that the IDB debt relief proposal currently under consideration would cover five countries, including Bolivia, and may forgive up to one-half of Bolivia's USD 1.6 billion IDB debt. As the proposal now stands, he said, debt relief would come as a package, being granted to all five countries or to none. End summary.

No Contact With The MAS

¶2. (SBU) IDB Resident Representative, Joel Branski, told us on January 11 that IDB staff has not met with members of the MAS since two months prior to the December 18 election. He added that he currently has no counterpart in the still undefined future GOB and that the MAS transition team has not requested a meeting. However, Jorge Crespo, Bolivia's representative to the IDB in Washington, recently met with leaders of the MAS transition team, including VP-elect Alvaro Garcia Linera, economic planner Carlos Villegas, and political adviser Juan Ramon Quintana to explain how the IDB functions. Branski also mentioned that a technical team from IDB headquarters would visit Bolivia the last week in January to meet with the new administration.

Operational Concerns Due To GOB

¶3. (SBU) Branski is concerned that the IDB will have difficulty disbursing the more than USD 400 million of previously approved funds awaiting distribution, and receiving approval for and disbursing the approximately USD 200 million of funds in the pipeline for 2006. He explained

that up to one-third of the previously approved funds would need to be re-oriented to new programs because they had been allocated to projects that were no longer valid. He further noted that the reallocation process requires approval of both the IDB Board and the Bolivian legislature. In addition to the potential difficulties associated with reallocation, Branski said, political uncertainties are making implementation of education, health, and services projects difficult. In this context, he pointed out that education and health projects require dealing with departmental and municipal governments, but that the precise role and authority of the newly elected regional governors will remain ill-defined pending the conclusion of the Constituent Assembly. Projects in the services/utilities area are also difficult to design, he said, given the MAS' pledge to eliminate the service sector regulators.

Operational Concerns Due to USG

¶4. (SBU) Branski acknowledged that U.S. contributions to the IDB and U.S. certification of Bolivia's cooperation on narcotics are vital and noted that he had explained to MAS members in October that the U.S. has veto power over IDB proposals. (Note: The U.S. has 54% voting rights in the IDB's Fund for Special Operations, from which the GOB receives all its funds.) He told us that when they meet with the MAS again at the end of January, IDB representatives will reiterate to the incoming administration the reality of U.S. influence over the bank's activities, including issuing new loans, reprogramming old loans, and going forward with debt relief. We encouraged Branski to push for a press release after the late January meeting.

IDB Debt Relief

¶5. (SBU) Branski stated that up to one-half of Bolivia's USD 1.6 billion debt with the IDB may be forgiven. He explained that Bolivia, along with Haiti, Nicaragua, Guyana, and Honduras, have received their past disbursements from a special concessionary fund for low-income countries, to which the U.S. contributes 54%. The IDB plans to eliminate this special fund, and in the future, make all loans from its regular capital fund. Thus, he added, the debt forgiveness program is envisioned to come as a package -- covering all five countries or none.

¶6. Comment: Whatever may be the perceptions at the IDB in Washington, locally the IDB believes their program to be at substantial risk pending U.S. policy decisions. As Branski mentioned, U.S. influence over IDB project approval, fund reallocation, and debt relief provides important leverage to the U.S. in discussions with the incoming GOB. However, if the final debt relief plan does in fact emerge as an all or nothing, five-country package, our leeway to use this as a bargaining chip with Bolivia to encourage the GOB to maintain/implement sound economic policies will be greatly limited. End comment.
GREENLEE